

SUBCOMMITTEE NO. 2

Agenda

S. Joseph Simitian, Chair
John Benoit
Alan Lowenthal



Hearing Outcomes

(See outcomes listed in the box under each issue)

Day: Thursday April 30, 2009

Time: 9:30 am or upon adjournment of session

Room: Rose Ann Vuich Hearing Room (2040)

Consultant: Brian Annis

Transportation

2660	Department of Transportation	1-19
2640	State Transit Assistance (cross-cutting issue related to Proposition 1B)	10-12
3900	Air Resources Board (cross-cutting issues related to Diesel Retrofit)	15-16
2670	Board of Pilot Commissioners	20-24
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Note on the 2009-10 Budget Process: On February 19, 2009, the Legislature approved the 2009 Budget Act (SB 1XXX). However, certain items were withheld from the budget, without prejudice, pending a more thorough discussion in the budget subcommittees. Items withheld generally met one or more of the following criteria: (1) were rejected in a prior budget year; (2) have substantial policy implications – for example, information technology or the state's bond capacity; or (3) represent a new program or expansion. Additionally, there are numerous pieces of trailer bill language proposed by the Administration that were not adopted and that require further consideration. The issues in this agenda are these aforementioned issues along with April Finance Letters and other issues of interest to the Subcommittee.

2660 Department of Transportation

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive state system of 15,200 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The Department also has responsibilities for airport safety, land use, and noise standards. Caltrans' budget is divided into six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.

Governor's Budget: The January Governor's Budget proposed total expenditures of \$13.0 billion (\$1.7 billion General Fund) and 22,186 positions, a decrease of \$1.3 billion and an increase of 50 positions. The primary driver of the year-over-year expenditure decline is the Proposition 1B program – specifically Prop 1B funding is running out for the State Transportation Improvement Program (STIP) component. It should be noted that the Governor's January Budget did not include the \$964 million appropriated for Caltrans from the American Recovery and Reinvestment Act (see also issue #1)

Activity: (in millions):

Activity	2008-09	2009-10
Aeronautics	\$8	\$9
Highway: Capital Outlay Support	1,863	1,855
Highway: Capital Outlay Projects	7,091	6,106
Highway: Local Assistance	2,487	2,206
Highway: Program Development	77	77
Highway: Legal	81	81
Highway: Operations	209	209
Highway: Maintenance	1,247	1,300
Mass Transportation	529	423
Transportation Planning	185	173
Administration	485	514
Equipment Program (distributed costs)	(217)	(253)
TOTAL	\$14,264	\$12,955

Major Funding Sources (in millions):

Fund Source or Account	2008-09	2009-10
Federal Funds	\$3,662	\$3,578
State Highway Account (SHA)	3,453	3,447
Proposition 1B Bond Funds	3,865	2,766
Reimbursements	1,467	1,288
General Fund (Proposition 42 – Caltrans share)	472	580
Federal Revenue Bonds (GARVEEs)	406	622
Public Transportation Account	266	260
Other funds	673	414
TOTAL	\$14,264	\$12,955

Adopted 2009-10 Framework Budget (SB 1XXX): In the adopted framework 2009-10 budget, the Legislature removed funding for the following items “without prejudice” for further subcommittee discussion:

- Diesel Engine Retrofit (Budget Change Proposal (BCP) #6): \$53.4 million in 2009-10 and approximately \$260 million total over five years.
- Federal Revenue Bonds, a.k.a. GARVEEs (BCP #4): \$769.0 million for multiyear debt repayment of \$622 million in 2009-10 borrowing.
- Workforce Development Centers (BCP 15): \$1.0 million annually ongoing for work skills training.

1. Update on Federal Stimulus Funds. On March 18, 2009, Budget Subcommittee #2 held an informational hearing on the American Recovery and Reinvestment Act (ARRA) and examined draft statutory language to implement ARRA in California for highway and road projects. The following week, the Legislature passed and the Governor signed AB 20XXX (Bass) to appropriate \$2.6 billion in ARRA funds for transportation. The legislation directed: \$935 million to State Operations and Protection Program (SHOPP) projects (with \$310 million of this available for short-term loans to Proposition 1B projects); \$77 million to Transportation Enhancement projects such as bicycle and hiking trails; and the remainder of \$1.6 billion to regional transportation agencies, cities, and counties. Since the bill was signed, the following has occurred:

- The California Transportation Commission (CTC) has allocated \$625 million in SHOPP projects. As of April 22, Caltrans has obligated \$294 million of these funds (here, *obligated* means under contract).
- The CTC approved a “lump sum” allocation of the \$1.6 billion in funds directed to local agencies.
- The CTC approved ARRA Prop 1B loans for four high-priority highway projects: (1) the 905 in San Diego; (2) the 405 in Los Angeles; (3) the 215 in San Bernardino; and (4) the 24 (Caldecott Tunnel 4th Bore) in Alameda.
- The CTC has allocated one State Transportation Enhancement (TE) project costing \$2.1 million from the \$29 million in the Caltrans TE funds – a final project list is still pending.

New ARRA Issues. On April 2, 2009, the Administration submitted a Section 28.00 letter to the Joint Legislative Budget Committee (JLBC) to augment Caltrans’ federal trust fund budget by \$32.3 million to distribute federal grants for public transit. California is expected to receive a total of \$1.1 billion in ARRA funds for transit (this amount is in addition to the \$2.6 billion appropriated by AB 20XXX). ARRA also includes about \$1.5 billion in competitive grants, for which Caltrans intends to apply. Guidelines for the competitive grants are still pending with the federal Department of Transportation and project awards are expected to arrive early next year.

Technical Adjustment to Federal Funds Appropriation: The revised 2008 Budget Act and the adopted 2009 Budget Act included \$200 million in funds anticipated from federal stimulus to offset any decrease in the SHOPP that would occur because the budget package included a shift of transportation funds from tribal gaming to the General Fund. The ARRA appropriation in AB 20XXX was not adjusted to reflect the funding that had already been provided in the prior legislative actions.

Staff Comment: Caltrans should update the Subcommittee on the ARRA funds appropriated by AB 20XXX, the ARRA funds in the Section 28.00 letter, and the other transportation-related ARRA funds. Caltrans should indicate if further Section 28.00 or Finance Letters are expected this year for ARRA funds, and what technical

budget adjustments may be warranted to the federal appropriations. Caltrans has indicated it will apply for its maximum share of federal discretionary grants – the maximum for one state is \$300 million. Caltrans should speak to its strategy for these competitive grants.

Staff Recommendation: Adopt the technical fix of reducing the federal appropriation (the SHOPP item) by \$200 million to correct the double-counting of federal stimulus funds in AB 20XXX and the 2009 Budget Act (SB 1XXX).

<i>Action: Approved technical budget fix on a 3-0 vote.</i>
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2. Late Reports (Staff Issue). The following reports required by statute, prior budget acts, or supplemental report language, were overdue as of April 29, 2009:

- (a) Surface Transportation Project Delivery Pilot Program (due January 1, 2009). This report requirement was added by AB 2650 (Chapter 248, Statutes of 2008, Carter).
- (b) State Bond Measure Annual Report (due January 1, 2009). This report requirement was added by AB 1368 (Chapter 770, Statutes of 2003, Kehoe).

Staff Comment: Caltrans should update the Subcommittee on the status of these overdue reports. Staff understands it is the practice of Subcommittee #2 to reduce by 5 percent the administration budget of any department with overdue legislative reports.

Staff Recommendation: Hold open pending receipt of the overdue reports.

<i>Action: No action taken – Caltrans anticipates these reports will be delivered by May 8th.</i>

- 3. Caltrans Section 26.00 Violations (Staff Issue).** Staff has discovered, and Caltrans confirms, that the department has been shifting funds among programs scheduled in the budget act without Section 26.00 reporting. Scheduling in the budget act is binding on department expenditures, but budget Control Section 26.00 does allow funding shifts among scheduled items with 30-day legislative reporting. Caltrans calls its process “cross-allocation” and indicates it promotes effective management when the type of work to be performed by a division and related to that divisions’ primary function, is better performed by experts in another division. For example, the 2008 Budget Act scheduled \$1.9 billion for Highway Transportation – Capital Outlay Support (COS), and \$77 million for Highway Transportation – Legal; however, Caltrans “cross-allocated” \$16.7 million and 101 positions from COS to legal. This practice results in a second set of books for Caltrans, with the public documents indicating a legal budget of \$78 million and 172 positions, but in reality, Caltrans cross-allocated to achieve a real budget of \$94 million and 273 positions for legal.

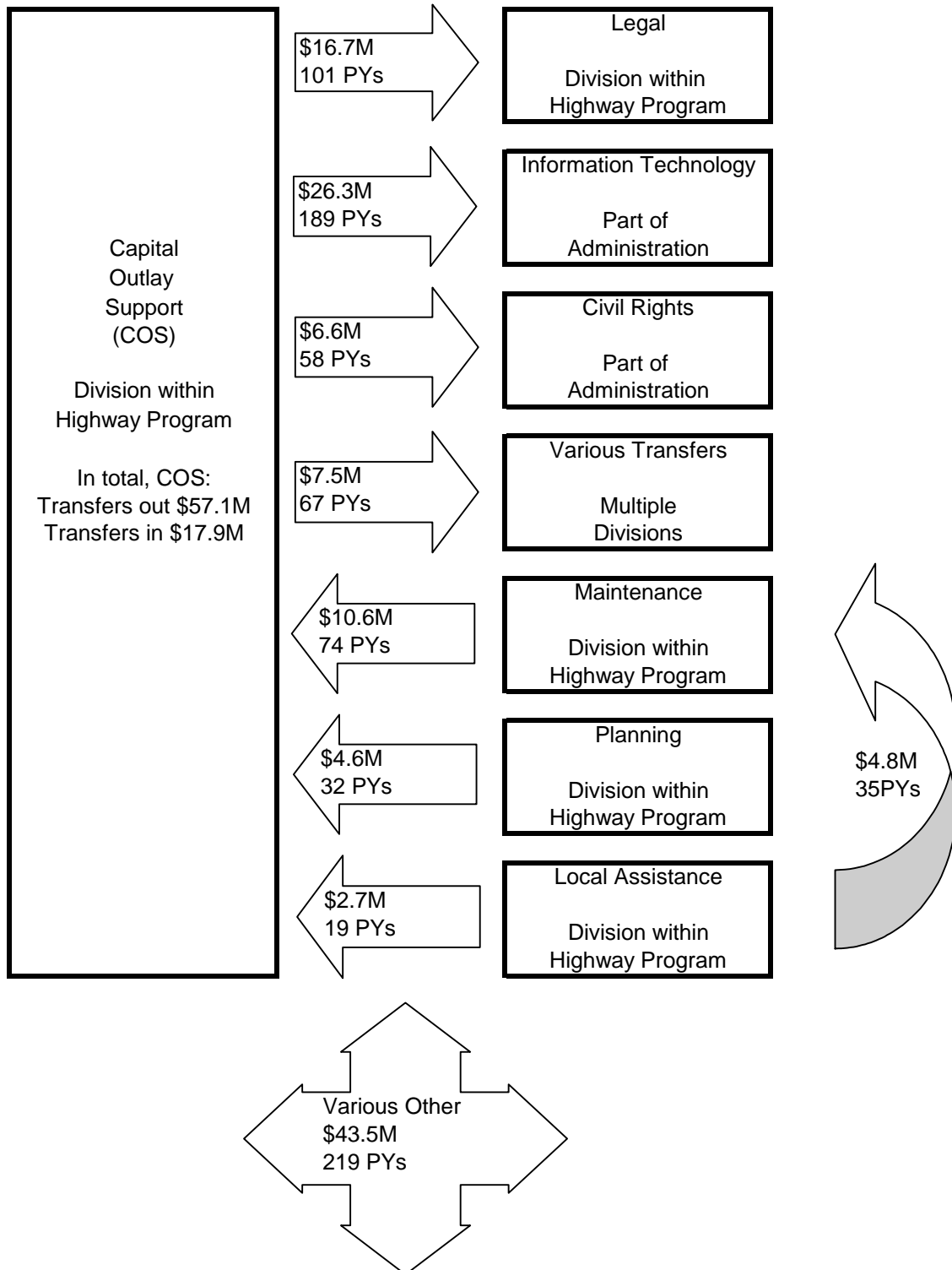
Bottom-line legal issue. While the management efficiency of the Caltrans “cross-allocation” practice can be discussed, the bottom-line is that no legal authority exists for the Administration to shift funds in this manner without notification to the Legislature. Staff is unable to find any statutory or State Administration Manual (SAM) definition or authority for the practice Caltrans calls “cross allocation” and the Administration has not provided any reference for legal authority.

Special Concern for the Capital Outlay Support Budget. The Caltrans Highway Transportation – Capital Outlay Support Program is uniquely budgeted because statute requires the department to zero-base the COS budget annually based on project workload – the Administration submits a May Revision letter each year to accomplish this adjustment. To get the best aggregate workload, based on Caltrans assessment of individual highway and road projects, the letter comes late in the budget process – in May. Due to the May timeframe and the complexity of the project-by-project workload, the LAO and legislative staff basically accept Caltrans workload numbers without detailed review. Cross allocation of funding and positions out of COS suggest Caltrans might be asking for Engineers and Engineer Techs, and then shifting that funding for Attorneys and other non-engineer work. The final expenditures may be justifiable, but the methodology and lack of transparency raise major concerns.

Special Concern for the Maintenance Budget. During the 2006 budget process, Caltrans proposed to shift funding and staffing for major *maintenance* contracts (including state worker design and oversight) from the Maintenance Division to the COS Division and SHOPP *rehabilitation* program. The Legislature rejected this request and kept the major maintenance funding in the Maintenance Division. This was done to maintain transparency for maintenance expenditures (because major maintenance was not consolidated into the SHOPP budget item) and to avoid a bigger COS May Finance Letter and the time constraints and data issues inherent in the May COS letter. The cross-appropriation information from Caltrans suggests the

department ignored this legislative direction and shifted \$10.6 million and 74 positions from Maintenance to COS on its second set of books.

Detail on Caltrans “cross-allocations” for 2008-09



Cross Allocation Chart: The chart on the prior page shows the “cross allocations” or shifts among divisions scheduled in the 2008 Budget Act. Staff excluded three Caltrans shifts from the chart: (1) Grant Anticipation Revenue Vehicles (or GARVEE) bond payments are scheduled in COS, but shifted to Administration for payment – this suggests a technical correction is needed, but GARVEE debt is elsewhere displayed in the Governor’s budget, so there is not a transparency concern; (2) Audits – centralized auditors are typically funded by the function they audit as they move within a department – so this shift does not raise concerns; and (3) statewide shifts such as positions shifted to the Director’s Office, the Secretary for BT&H Agency, and the Governor’s Office – while these funding shifts may raise other transparency concerns, they are statewide issues beyond the scope of this issue.

Staff Comment: Caltrans has not been able to suggest a legal justification for “cross allocations” so the department should suggest a fix. The amounts shifted without legislative reporting are substantial – more than \$123 million and 794 positions in 2008-09. This amount is over five percent of the Caltrans state operations budget. Among the options to fix this problem are the following:

- (a) Adjust the Budget Act scheduling to the anticipated expenditures of funds by each division (a Section 26.00 could later be submitted if additional adjustments are needed).
- (b) Add provisional language to the Budget Act to allow Caltrans to shift a defined amount of funding between divisions without legislative reporting.

Caltrans will provide a zero-based May Revision Finance Letter on its Capital Outlay Support workload for 2009-10. This letter should be an accurate representation of the *engineering-related* workload (both state worker and contractors) and correctly adjust for any positions shifts in the past for attorneys or other non-engineering work.

Staff Recommendation: Take no action at this time. If Caltrans wishes to shift funds among programs scheduled in the 2009 Budget Act, it should provide a revised expenditure plan at or before the May Revision. Use of the Section 26.00 process should only be used for *unanticipated* budget shifts.

Action: *Discussion of this issue was deferred to a future hearing at the request of Caltrans. In the interim, Caltrans will present detail to legislative staff and the LAO on the department’s proposed remedy.*

- 4. Specialty Building Facilities Appropriation (Staff Issue):** The Administration requests an appropriation of \$56.0 million (State Highway Account) in 2009-10 for specialty building facilities such as equipment shops, maintenance stations, material labs, and traffic management centers – these facilities are part of the SHOPP approved by the California Transportation Commission. The Budget Act includes a separate item of appropriation for better transparency and budget tracking.

Caltrans violation of Provision Language: Provision language in the Budget Act restricts expenditures for specialty facilities to the amount specifically appropriated for that purpose in the “303” appropriation item. Specifically, language in the main SHOPP appropriation (the “302” item) says “*No funds appropriated in this item are available for expenditure on specialty building facilities.*” Despite this prohibition, SHOPP documents indicate the department is spending funds from the “302” item on specialty facilities (specifically for right-of-way acquisition).

Excess appropriations for specialty facilities: Part of the reason for the separate specialty facilities appropriation is to make sure that the department appropriately prioritizes on-road investments and off-road investments. For example, good highway pavement would generally be a higher priority than good pavement at an employee parking lot at a maintenance station. Caltrans and the CTC also recognize this prioritization and in recent years have deferred certain specialty facility projects; however, these deferrals are not recognized in the budget request. With the amount approved in 2009 Budget Act and carry-over funds from prior years, there is about \$108 million available for specialty facilities expenditures in 2008-09 and 2009-10. However, discussions with Caltrans suggest the Department may only obligate about \$77 million through June 2010. This would suggest an excess of about \$31 million. Caltrans requests that a contingency of \$20 million be maintained for a project in litigation and for possible cost overruns.

Updates from Caltrans: Caltrans indicates that they inadvertently scheduled right-of-way funding for specialty facilities in the wrong appropriation item – so the amount of \$3.7 million should be shifted to the correct item. Additionally, Caltrans believes the appropriation could be reduced by \$11.2 million and still provide sufficient funding for all planned projects and for a prudent contingency of \$20 million.

Staff Comment: The appropriation provides three years of availability to encumber the funds; however, with projects deferred it is unclear why the proposed budget includes authority beyond planned expenditures. This also reduces budget transparency as more expenditures are indicated in the budget than Caltrans anticipates spending.

Staff Recommendation: Reduce the specialty facilities’ appropriation by \$11.2 million to tie funding to planned projects and a prudent contingency reserve. Approve a technical shift to correctly budget right-of-way for specialty facilities.

Action: Adopted staff recommendation on a 3-0 vote.
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- 5. Proposition 1B:** The 2007 Budget Act; the 2008 Budget Act; and other associated legislation have appropriated a total of \$9.3 billion, or 47 percent, of total Proposition 1B funds. In January, the Governor requested \$3.4 billion of total Prop 1B funds for 2009-10 – this amount was included in the 2009 Budget Act (SB 1XXX). However, the Administration had also requested an increase of \$1.5 billion in a mid-year augmentation to the 2008 Budget Act for transit and for local streets and roads Prop 1B funds – these increases were rejected pending budget subcommittee review. The status of Prop 1B funds as of March 31, 2009, is as follows (dollars in millions):

Proposition 1B Category	Total 1B Amount	Total Approp'd to date	Allocations through Mar 30 '09	Additional Approp withheld	Budget Entity
Transportation Categories appropriated within the Caltrans Budget:					
Corridor Mobility Improvement Account (CMIA)	\$4,500	\$3,635	\$1,514		Caltrans
State Transportation Improvement Program (STIP)	\$2,000	\$1,955	\$1,072		Caltrans
State Highway Operations and Preservation Program (SHOPP)	\$500	\$448	\$261		Caltrans
State Route 99 Improvements	\$1,000	\$547	\$19		Caltrans
Local Bridge Seismic Retrofit	\$125	\$66	\$21		Caltrans
Intercity Rail	\$400	\$383	\$96		Caltrans
Grade Separations	\$250	\$247	\$6		Caltrans
Traffic-Light Synchronization	\$250	\$245	\$47		Caltrans
Trade Infrastructure	\$2,000	\$903	\$91		Caltrans
State/Local Partnership	\$1,000	\$400	\$0		Caltrans
Transportation Categories appropriated in other Departments:					
Local Streets & Roads	\$2,000	\$1,287	\$998	\$700	Shared Revenues
Transit	\$3,600	\$1,300	\$530	\$800	State Transit Assistance
Air Quality and Transportation Security Categories appropriated in other Departments:					
School Bus Retrofit	\$200	\$196	\$191		Air Res. Board
Trade Infrastructure Air Quality	\$1,000	\$750	\$250		Air Res. Board
Port Security*	\$100	\$99	\$41		Emerg Mgt Agency
Transit Security*	\$1,000	\$304	\$101		Emerg Mgt Agency
TOTAL	\$19,925	\$12,766	\$5,238	\$1,500	

* These Prop 1B Appropriations are heard in Subcommittee #4.

While over 60 percent of Prop 1B funds have been appropriated by the Legislature, only about 26 percent have been allocated (or made available for expenditure) to project sponsors. One factor that slowed allocations was the infrastructure funding freeze that started in December 2008 due to the inability of the Treasurer to sell bonds in the face of the banking crisis and California's budget problems.

Background on Proposition 1B Appropriations: After voters approved Proposition 1B in November 2006, the Administration requested that the Legislature approve three-year's worth of appropriation authority up front (i.e., the Administration wanted the Legislature to fully appropriate all the funding needed for planned allocations in 2007-08, 2008-09, and 2009-10). The Legislature rejected this multiple-year appropriation because it would reduce oversight of the annual expenditure plan. However, the Legislature has generally appropriated Prop 1B funds each year to match the cost of the projects that are ready-to-go to construction. In keeping with this precedent, the amount appropriated for 2009-10 should reflect that amount Caltrans can demonstrate is needed for ready-to-go projects, but not more.

Detail on the Administration's 2008-09 mid-year Budget Request: As part of the budget special session, the Administration requested \$1.5 billion in additional Prop 1B appropriations. This funding was rejected pending subcommittee review and analysis of federal stimulus funding. The specific bond programs were: (1) Local Streets and Road - \$700 million, and (2) Transit - \$800 million. These Prop 1B programs are both formula-based allocations and the funding is allocated in advance of expenditures instead of as a reimbursement. Both of these categories are receiving large amounts of federal stimulus funds (\$1.1 billion for transit and about \$640 million to cities and counties for local streets and roads), and it is unclear that there is project capacity (projects ready to go) to merit these additional Prop 1B appropriations. Note, if the State allocates bond funds prematurely, an additional interest cost is incurred.

Recent bond sales: Since the Legislature approved a budget package in February, the Treasurer has been successful in selling general obligation bonds. In March, the Treasurer sold \$6.5 billion in bonds and on April 21, he sold \$6.8 billion. The Administration indicates that the April bond sale will allow all ready-to-go Prop 1B projects to proceed to construction through about September 2009.

Staff Comment: The Administration should update the Subcommittee on the Prop 1B program, including: (1) success to date in moving projects to construction; (2) the impact of the recent bond sale for Prop 1B projects; and (3) the desirability of additional Prop 1B appropriations for transit and local streets and roads in light of ARRA funds directed to the same purposes. This hearing would also be an opportunity for transit advocates and local government representatives to speak to the desirability of additional Prop 1B appropriations for their projects.

Since the Air Resources Board is also at this hearing, the Subcommittee may want to received an update on their Prop 1B programs and success in moving projects to construction.

Staff Recommendation: Take no action to augment Prop 1B funding at this time – revisit after the May Revision as warranted.

Action: No action taken – the Administration indicated it is still reviewing appropriations for the Prop 1B components of (1) local streets and roads and (2) transit. The Administration will submit a May Finance letter if it chooses to request a funding change.

- 6. GARVEE Bonds (BCP #4).** The January Governor's Budget proposed an appropriation of \$769 million to fund the full multi-year debt repayment for Grant Anticipation Revenue Vehicles (GARVEE) bonds that Caltrans would like to issue in 2009-10. GARVEE bonds are revenue bonds backed by future federal transportation funding. The use of GARVEE bonds accelerates projects that would otherwise be delayed because of insufficient transportation funds, saving construction-inflation costs, and delivering the projects faster to travelers. The January Governor's Budget proposed to use GARVEE financing to advance three State Highway Operations and Protection Program (SHOPP) projects. The appropriation was pulled from the 2009 Budget Act (SB 1XXX), without prejudice, to allow for further budget subcommittee review. The funding was pulled because it was unclear at that time: (1) whether federal stimulus funds would reduce the need for GARVEE financing; and (2) whether additional revenue would materialize from a proposed increase in the gasoline and diesel excise tax.

Background on past use of GARVEEs. Existing statute allows the California Transportation Commission to authorize GARVEE projects up to a level where GARVEE debt service reaches 15 percent of annual federal funding. GARVEEs have been appropriated in two prior state budgets. The 2004 Budget Act appropriated \$783 million for GARVEE debt service – the principal of approximately \$660 million was used to accelerate eight State Transportation Improvement Program (STIP) projects. The 2008 Budget Act appropriated \$181 million for GARVEE debt service – so far \$98 million of the \$141 million principal amount has been used to accelerate two SHOPP projects. Debt service for the two prior debt issuances is still low relative to base federal funding – less than three percent in 2009-10.

Update from the Administration: The Administration has revised its GARVEE proposal in light of federal stimulus funds. The updated GARVEE plan includes two, instead of three, SHOPP projects. The revised funding request is \$675 million and the two projects are: (1) San Francisco US 101 Doyle Drive, and (2) Bridge replacement project in Long Beach, at Schuyler Heim Bridge.

Staff Comment: The Administration should outline their revised GARVEE proposal for the Subcommittee. Staff notes that this GARVEE request is consistent with past requests approved by the Legislature and the cumulative GARVEE debt load would be well within the limits in statute.

Staff Comment: Approve the revised GARVEE request of \$675 million, which would allow the Doyle Drive and Schuyler Heim Bridge projects to move forward.

Action: Approve the revised GARVEE request on a 3-0 vote.
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7. Big Picture: Environmental Mitigation Efforts (Informational). Each year, the Caltrans budget includes funding related to equipment retrofit, stormwater management, and other initiatives to mitigate environmental impacts. Since Caltrans has been moved to Subcommittee #2, which is also responsible for departments whose primary role is environmental mitigation, Caltrans environmental mitigation efforts may benefit from increased legislative oversight. To provide a big picture view of the various Caltrans environmental mitigation efforts, some of the major ongoing components are presented here:

- New Construction: Employing stormwater best-management-practices into new construction projects (State Transportation Improvement Program (STIP) and State Highway Operations and Protection Program (SHOPP)) totals about 4 to 5 percent of the overall project costs (around \$380 million annually).
- Maintenance of Stormwater Mitigation: The budget separately appropriates \$96 million in 2009-10 for the maintenance of stormwater systems.
- Use of Recycled Tire Rubber in Pavement: Caltrans purchased rubberized hot mixed asphalt in 2008 that included approximately 3.9 million recycled tires.
- Litter Pickup: Caltrans currently spends \$60 million annually on litter pickup.
- Equipment Retrofit: About \$63 million is requested for 2009-10 (see issue on next page for detail).
- Environmental Enhancement and Mitigation Program (EEMP): The Governor's Budget includes \$10 million in 2008-09 consistent with the historic funding level.
- Alternative Fuel Usage: Caltrans reported that its alternative fuel usage increased over 400 percent in the July 2008 through March 2009 period relative to the prior measuring period. This is about three percent of total fuel usage.
- Fish Passage: Caltrans indicates that SHOPP projects that involve waterways inhabited by fish are designed to fix any legacy fish passage barriers. Caltrans indicates it will perform surveys and repair of additional fish passages to the extent external funding is identified.

Funding for Environment Mitigation: As indicated above, Caltrans expends more than \$600 million each year to mitigate the environmental impacts of the transportation system. Most of these activities are new or expanded since the excise tax on gasoline and diesel was last raised in 1994. The funds directed to these activities would otherwise be available for the under-funded SHOPP. While Prop 1B and now federal stimulus funds have provided some temporary funding relief, over the long-term, the Legislature may want to consider new revenue sources to fund the expanding environmental mitigation efforts. For example, an environmental-mitigation fee of three to four cents on gasoline and diesel would be sufficient to fund Caltrans' current activities.

Staff Comment: The Subcommittee may want to hear from Caltrans on the ongoing environmental efforts outlined above, funding issues, and any additional ongoing efforts Caltrans wants to describe. A Budget Change Proposal related to equipment diesel retrofit is the issue on the following page.

Staff Recommendation: This is an informational issue – no action is required.

Action: No action taken – informational issue.

- 8. Diesel Retrofit and other Mitigation (BCP #6).** The Administration submitted a January budget for \$53.4 million (State Highway Account) to replace or retrofit 1,161 vehicles and pieces of equipment. This includes both on-road and off-road vehicles. Caltrans indicates this budget augmentation is necessary to comply with State Air Resources Board (ARB) and South Coast Air Quality Management District (SCAQMD) regulations. This funding was pulled from the 2009 Budget Act (SB 1XXX), without prejudice, to allow further review in the subcommittee. The funding was pulled because this is the start of a new round of retrofit that may cost about \$260 million over five years.

LAO Comment:

ARB Issues: The Legislative Analyst indicates that compliance with diesel rules is much more costly than planned – the ARB had estimated the total cost for the entire state fleet at \$60 million. Additionally, in some cases, such as for off-road vehicles, even new replacement vehicles must be retrofitted with particulate matter traps. Because most such devices are too large to easily fit onto the department's trucks, Caltrans is requesting staff to modify and rebuild some of its vehicles. Caltrans concluded, based on its discussions with ARB that this expensive and difficult process is the only way to achieve compliance. If ARB found the technology does not exist to complete this type of retrofit at a feasible cost, it could amend its regulations.

SCAQMD Issues: The SCAQMD regulations require that Caltrans use alternative energy sources (such as natural gas) for vehicle *replacement* in the district. Natural gas vehicles cost about \$100,000 more than an ARB-compliant new diesel truck. Caltrans has been complying with this SCAQMD requirement, but the ARB rules will also require Caltrans to *retrofit* a portion of the existing diesel fleet in SCAQMD. Absent the SCAQMD rules, Caltrans would do more diesel *replacement* in that district and less diesel *retrofit*. Caltrans will be pursuing the less cost-effective retrofit, in order to avoid the higher cost natural gas vehicles in the SCAQMD. (Caltrans indicates an additional cost of \$14.2 million if they pursued alternative-fuel vehicle replacement in SCAQMD instead of the proposed diesel retrofit.)

LAO recommendations: The LAO recommends that Caltrans and the ARB report at the hearing:

- Any changes to the statewide and regional air quality regulations that should be made to allow the state to reach its air quality goals in a cost-effective manner.
- Any legislation needed to allow the state to take a more cost-effective approach to comply with these air quality rules. This could include changes in the way the ARB and SCAQMD implement their air quality rules.
- How Caltrans can comply with these air quality requirements, over multiple years, in the most cost-effective manner.

- The steps Caltrans can take that are technologically feasible to comply with these air quality rules and what actions are not technologically feasible.
- The number of Caltrans vehicles that provide emergency services and whether or not these vehicles have been (and can be) exempted from the regulations.

Revised Request: Since the January budget proposal and the LAO *Analysis*, there have been several meetings among Caltrans, ARB, LAO, and legislative staff. These meetings have resulted in a consensus between Caltrans and ARB about the options Caltrans has in complying with the ARB rules. Caltrans indicates that compliance with ARB rules can be achieved with a slightly smaller level of retrofits/replacements in 2009-10. The modified request is \$5.4 million less, but it should be noted this represents a deferral of costs instead of long-run cost savings.

Staff Comment: The ARB is also noticed for this hearing, so that department, along with Caltrans can explain the regulations and the proposed solutions. Both departments should update the Subcommittee on any conclusions that may have been revised since Caltrans submitted the BCP, and be prepared to respond to all the issues raised by the LAO. Staff also understands that the South Coast Air Quality Management District will have a representative at the hearing.

The multi-year Caltrans costs of diesel retrofit/replacement is estimated at \$260 million, and it is unfortunate that cost is significantly higher than the original ARB estimate. ARB, however, notes there is a high cost of diesel pollution for human health and the environment. For the SCAQMD issue, Caltrans should explain their decision to opt for diesel retrofit instead of alternative-fuel vehicle replacement in terms of cost savings and pollution mitigation.

Staff Recommendation: Approve the revised budget request of \$48 million (this is the original request of \$53.4 million minus the \$5.4 million in deferred retrofit).

Action: *Alternative motion to reject the revised administration request was moved by Senator Benoit and defeated on a 1-2 vote. Main motion by Senator Lowenthal to approve the revised administration request was passed on a 2-1 vote with Senator Benoit voting no.*

- 9. Fuel Budget (BCP # 1).** The 2008 Budget Act included a permanent funding increase of \$21.3 million (State Highway Account) for Caltrans's fuel costs to bring fuel funding from a base of \$2.04 per gallon to \$3.55 per gallon. Caltrans estimated it would use approximately 13.5 million gallons of fuel in 2008-09. In this year's BCP#1, Caltrans indicates it will use 13.6 million gallons of fuel in 2009-10 and estimates fuel will cost \$3.52 per gallon. The estimates for 2009-10 result in a budget reduction of \$373,000. This \$373,000 budget reduction was included in the 2009 Budget Act (SB 1XXX). The total Caltrans fuel budget in SB 1XXX is \$47.8 million.

Staff Comment: The Caltrans estimate of \$3.52 per gallon of fuel was produced in the fall when fuel prices were still comparatively high. Fuel prices have fallen dramatically since last fall and an additional reduction seems warranted. For example, if the forecast fuel price is reduced to \$2.50 per gallon, a budget reduction of \$13.9 million would be warranted. Caltrans should update the fuel budget to recognize current projections of fuel prices.

Staff Recommendation: Keep issues open – staff understands the Administration will review fuel prices as part of the May Revision process and submit a budget adjustment at that time as warranted.

<p>Action: <i>No action – kept open for May Revision for anticipated Administration revision to the budget request.</i></p>
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10. Tort Payments (April Finance Letter). The Administration requests a permanent increase of \$20.0 million (State Highway Account) to fund tort payments. In a Section 26.00 letter dated April 3, 2009, the Department of Finance reported to the Joint Legislative Budget Committee (JLBC) that Caltrans has requested a shift of funding among programs of \$17.7 million in order to pay higher-than-budgeted tort claims in 2008-09 (the JLBC approved the request). While the budget for tort claims has remained unchanged in recent years at \$53.6 million, Caltrans has had to shift budget resources in four of the past five years to pay tort claims. The historic tort budget funding and actual expenditures (in millions) are outlined in the following table.

	Budget Funding	Actual Expenditures	Shortfall
2000-01	\$41.4	\$65.1	\$23.7
2001-02	41.4	62.4	21.0
2002-03	41.4	37.5	-3.9
2003-04	41.4	32.7	-8.7
2004-05	41.4	50.3	8.9
2005-06	41.4	66.7	25.3
2006-07	53.6	51.5	-2.1
2007-08	53.6	72.9	19.3
2008-09*	53.6	71.3	17.7
2009-10**	73.6	73.6	0

* Estimate

** Budget funding is an April Finance Letter request

Detail on this year's Section 26.00 request for Tort: When Caltrans has tort judgements and settlements in excess of the budgeted amount, the department typically makes a Section 26.00 request to shift funds from other budget areas. Some of the funds shifted represent administrative savings and do not affect the highway system. However, in some years, Caltrans has reduced pavement maintenance contracts to generate savings for the tort redirection. This raises concerns due to the cost efficiency of pavement maintenance activities. This year's Section 26.00 request originally shifted \$11.17 million from major pavement maintenance contracts (deferring eight projects that would treat approximately 232 lane miles throughout the state), but Caltrans has since found other savings and their revised request does NOT include the deferral of pavement maintenance work.

Staff Comment: Last year's and this year's Section 26.00 letters suggest tort is under-funded for actual liabilities. Given this recent history, the \$20 million increase in the tort budget seems justified. Should actual tort costs fall below the budgeted level, budget bill language allows the savings to be available for expenditures for the State Highway Operations and Protection Program (SHOPP).

Staff Recommendation: Approve the April Finance Letter.

Action: Approved Finance Letter on a 3-0 vote.

11. Workforce Development (BCP # 15). The January Governor's Budget requested a permanent increase of \$1 million (half federal funds, half State Highway Account) in grants to local non-profits for workforce development training in the transportation area. This would be in addition to a one-time federal grant of \$1.2 million that Caltrans recently received for this purpose. As a new program, the \$1.0 million in the BCP was excluded from the 2009 Budget Act (SB 1XXX).

Proposal Detail: The department indicates the \$1 million would be used to fund five workforce development centers (\$200,000 each). These centers would provide pre-apprentice level training to up to 300 people each year. The training would teach "soft skills" such as how to show up to work on time, how to dress properly for a job, how to properly wear a hardhat, and how to use a tape measure. Some basic carpentry skills and other skills, such as truck driver training, would also be taught. Graduates would receive job placement assistance.

LAO Comment: The Legislative Analyst believes the proposal should be rejected, because the activities to be funded in part with State Highway Account (SHA) dollars are beyond the scope of Caltrans's core mission and duplicative of other state labor training programs. Additionally, the LAO raises concern over whether this expenditure would be a constitutionally allowable use of SHA dollars.

Staff Comment: The funds proposed for this purpose would otherwise be available for the State Highway Operations and Protection Program (SHOPP). So at the margin, this proposal would shift funds available for construction jobs to job training. The one-time federal grant of \$1.2 million for this purpose was a competitive grant available for only this purpose. Caltrans indicates it would compete in the future for other grants of this nature.

Caltrans should be prepared to outline problems with the transportation workforce that this proposal seeks to remedy. What positions are left vacant at Caltrans for lack of qualified applicants and what positions are contractors having difficulty filling. What broader efforts does Caltrans feel are needed to prepare tomorrow's transportation workforce.

Staff Recommendation: Approve the request, but change it to two-year limited term. Add supplemental report language that would quantify the success of the program to aid a future decision about whether it should be made permanent.

<p>Action: <i>Approved Staff Recommendation on a 2-1 vote with Senator Benoit voting no.</i></p>

2670 Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun (Board) licenses and regulates maritime pilots who guide vessels entering or leaving those bays.

The January Governor's Budget proposed expenditures of \$2.9 million (no General Fund) and 2.5 positions – an increase of \$400,000 and no change in positions. The Board is wholly funded through fees on shippers. The year-over-year budget change is primarily explained by a one-time \$600,000 increase for Attorney General fees related to legal defense of the Cosco Busan allision (see also the discussion below). The 2009 Budget Act (SB 1XXX) included funding for the Board as requested by the Governor.

(see next page for issues)

- 1. Report on Cosco Busan Reforms (Informational issue):** Last year, the Legislature approved Supplementation Report Language as follows:

The Board of Pilot Commissioners shall report to the Joint Legislative Budget Committee and the appropriate policy committees of each house of the Legislature by March 1, 2009, regarding its process for making mental fitness determinations and the related appeals process. The board shall also update the Legislature on its process review, as well as significant policy and process changes related to the Cosco Busan incident.

Background: In November 2007, the Cosco Busan tanker hit a tower of the Bay Bridge spilling oil into the bay. Press reports suggested the cause was pilot error and that the pilot had health issue that raised questions about his fitness for the job. Since the Board licenses pilots, questions have arose over the rigor of the Board's evaluation of pilots to test for health and fitness, and the Board's response to pilot misconduct charges.

Preliminary Draft Report: A preliminary draft report was provided to staff indicating, among other things:

Medical Oversight:

- Pilots are now mandated to report all medications.
- The Commission has formed a "Pilot Fitness Committee" to conduct a comprehensive review of the standards used to determine the fitness of pilots licensed by the Commission, the procedures used to determine that fitness, the qualifications of physicians used, and appeal procedures to protect both public and individual rights.

Pilot Training and Navigational Technology:

- The Commission has formed a "Navigation Technology Committee" to evaluate the scope of the types of electronic charts found on ships in the Bay Area, and to evaluate the possible use of "Portable Pilot Units".

Pilot Investigation Procedures:

- SB 1627 (Wiggins), discussed below, included changes in the Commission's investigation procedures. The Commission is implementing those changes and continues to review procedures for possible areas of improvement.

Staff Comment: The Commission should briefly update the Subcommittee on recent reforms.

Staff Recommendation: Informational issue – no action necessary.

Action: Informational issue – no action.

- 2. New Assistant Director Position (April Finance Letter #1):** The Administration requests \$242,000 (Board of Pilot Commissioners' Special Fund) and 1.0 new permanent position to implement certain reforms required by SB 1627 (Chapter 567, Statutes of 2008, Wiggins). Also included in the funding is a six-month limited-term attorney position. SB 1627 is intended to provide a measure of legislative oversight and administrative responsibility to the Board of Pilot Commissioners in the wake of the November 2007, Cosco Busan oil spill in the San Francisco Bay. Among other provisions, SB 1627 moves the Board into the Business, Transportation and Housing Agency, and establishes a new Assistant Director Position who serves at the pleasure of the Governor (the existing Executive Director position serves at the pleasure of the 7-member Board, members of which are appointed by the Governor and confirmed by the Senate).

Staff Recommendation: Approve the April Finance Letter.

<i>Action: Approved Finance Letter on a 2-0 vote with Senator Benoit not voting.</i>

2665 High-Speed Rail Authority

The California High-Speed Rail Authority (HSRA or Authority) was created by Chapter 796, Statutes of 1996, to direct development and implementation of inter-city high-speed rail service that is fully coordinated with other public transportation services. The cost to build the initial phase (from San Francisco to Anaheim) is currently estimated by the HSRA to cost \$34 billion (in 2008 dollars) – this includes a contingency, calculated at 30 percent of construction costs, as well as an allowance for environmental impact mitigation, calculated at three percent of construction costs.

January Budget: The January Governor's Budget included funding of \$125.2 million for the HSRA (all High-Speed Passenger Train Bond Fund). The 2009 Budget Act (SB 1XXX) reduced the HSRA budget down to base staff funding of \$1.8 million, without prejudice to the merit of the request, to allow for a thorough subcommittee review of the budget. Since the Safe, Reliable High-Speed Train Bond Act for the 21st Century (Proposition 1A) was approved by voters in November 2008, the HSRA has \$9 billion in bonding authority to begin implementation of the system. This transition from a small-budget study organization to a multi-billion dollar engineering and construction entity requires additional discussion with regard to the structure of the Authority and management and implementation of the high-speed rail project.

April Finance Letters: The Administration additionally submitted April 1 Finance Letters to augment the HSRA budget by \$14 million for additional contract costs, bringing the total request for 2009-10 to \$139.2 million.

March 17, 2009 Senate Transportation and Housing Committee Hearing: On March 17, 2009, the Senate Transportation and Housing Committee held an informational hearing with a focus on the Legislative Analyst's Office's analysis of the HSRA's proposed \$125.4 million budget for 2009-2010, and state government's response to the \$8 billion provided for high-speed rail by the federal stimulus program, the American Recovery and Reinvestment Act of 2009. Some of the information in this agenda is derived from this prior hearing.

Pooled Money Investment Account (PMIA) loans: Since the March 17 policy committee hearing, the State Treasurer has been successful in selling general obligation bonds and the HSRA has received a PMIA loan to pay contract expenses in 2008-09.

Issue Proposed for Discussion:

1. **Implementation of a Transportation Mega-Project.** As was alluded to in the introduction, the HSRA is tasked with quickly transforming itself from a small-budget study organization into a multi-billion dollar engineering and construction entity. This challenge is compounded by the fact that the high-speed rail project is a mega-project like the San-Francisco Oakland Bay Bridge or the “Big Dig” in Boston – these projects have few peers in scope and complexity. Mega projects often experience large cost escalations and schedule delays. With this great challenge in mind, the Legislature has explored different structural models to increase the chances of successful implementation. Last year’s SB 53 (Chapter 612, Statutes of 2008, Ducheny) requires the California Research Bureau to analyze the state’s rail management structure and report recommendations by May 1, 2009. Other bills in the current legislative session look at consolidation of rail functions at Caltrans and the HSRA, and other project implementation and oversight issues.

Administration’s Implementation Plan: The Administration is not proposing any government reorganization in the area of rail. In terms of implementation of the high-speed system, the Administration proposes to contract for engineering and design, and then contract with other consultants for oversight of those original contracts. The rationale for this model is that the Authority should avoid developing a large permanent organizational staff because the project is a one-time endeavor, requires highly specialized skills, and will require limited ongoing support. On the basis of this approach to project management, the HSRA is relying upon outside consultants to provide both technical and managerial services. The counter to this argument is that this model is the historic information-technology (IT) model that has often been unsuccessful. In fact, the Administration is currently proposing an IT reorganization that would in-source oversight of state IT projects to the Office of the Chief Information Office (OCIO).

The Business Plan suggests the HSRA will be completing the preliminary engineering and environmental review over the next three years, after which right-of-way acquisition and construction will commence. However, the federal stimulus funds may accelerate the start of right-of-way acquisition.

Administration’s Funding and Timeline: The following two tables show the Authority’s anticipated funding sources and timeline for implementation:



* HSRA graphic



* HSRA graphic from Business Plan

Issue raised by the LAO: The Legislative Analyst raised several concerns with the HSRA Business Plan, which was required by statute and released in November 2008. The LAO indicates that the report includes, to some degree, each of the statutorily required elements, the information provided is very general and does not provide specifics that are included in the typical business plans. The LAO lists details absent from the Business Plan in the table on the next page and recommends that the Authority expand on its Business Plan to include the missing detail (see table on next page).

The LAO recommends:

- (1) that the Legislature withhold budget funding for 2009-10, until the additional information is provided;
- (2) that the Legislature require the authority to adopt project selection and evaluation criteria to ensure that bond funds are used efficiently and that they deliver projects with immediate mobility benefits; and
- (3) that the Legislature enacts legislation directing the authority to provide an annual report to the Legislature at the time the Authority submits its annual budget.

LAO Report: Business Plan Fails to Provide Many Details

Statutory Requirements	Sample of Missing Details
Description of the anticipated system	What are the expected service levels? What is the assumed train capacity?
Forecast of patronage, operation & capital costs	How are ridership estimates projected? What is the operating break-even point? How will costs be distributed by segment route?
Estimate of necessary federal, state, and local funds	How would funds be secured? What level of confidence is there for receiving each type of funding?
Proposed construction timeline for each segment	What is the proposed schedule, by segment, for completing design/environmental clearance? For beginning/completing construction
Discussion of risks and mitigation strategies	How would each type of risk impact the project? What specific mitigation strategies are planned to be deployed?

Source: Legislative Analyst's Office

Staff Comment: The HSRA should address the issues in this agenda item. The issues include:

- What department structure and project oversight model maximize the chances for successful implementation? What advantages and disadvantages does the Authority see if the HSRA and the Caltrans Division of Rail were to be consolidated into a new department? Why has the Administration foregone the option of using state staff, such as rail engineers at Caltrans, to in-source design and engineering contract oversight and to provide project management?
- What missing details cited by the LAO have since been provided by the HSRA? What is the HSRA response to each of the individual concerns raised by the LAO in the above table?
- What functions should the HSRA add internally as the project ramps up? For example, HSRA does not currently have an accounting section – that function is performed by the California Highway Patrol under an inter-agency agreement.

Staff Recommendation: Hold open for additional review.

Action: No action taken, but the Subcommittee requested the following information from HSRA by May 8: (1) detail on the statutory impediments to the HSRA adding new staff with higher-salary classifications; (2) a description of the management structure needed to successfully implement the project; and (3) a two to three page summary of the contractor deliverables for 2009-10.

- 2. Federal Stimulus Funds.** The federal American Recovery and Reinvestment Act (ARRA) includes over \$8 billion for high-speed rail and other rail investments. California is ahead of other states in terms of having a completed Program Level Environmental Impact Report / Environmental Impact Statement (EIR/EIS), and in having \$9 billion in state funds already approved for the project. Hopefully California can use these advantages to obtain a significant share of federal funds. In addition to the \$8 billion in stimulus funds dedicated to high-speed rail, President Obama has proposed in his budget plans \$1 billion annually for the next five years.

Last year's federal Passenger Rail Investment and Improvement Act of 2008:

The federal stimulus program allocates \$8 billion for high-speed rail projects under the terms and conditions of existing federal law. In the case of the high-speed rail funds, the money will be allocated through program categories established by the *Passenger Rail Investment and Improvement Act of 2008* (PRIIA). There are three categories of funding in PRIIA:

- High-speed rail corridor development grants
- Intercity passenger rail service corridor capital assistance
- Congestion grants for corridors in which Amtrak service operates.

US Department of Transportation (US DOT) Strategic Plan for ARRA funds: To ensure there is a consistency between the policies of PRIIA and the stimulus act, Congress directed the Secretary of Transportation to prepare a strategic plan. On April 16, 2009, the US DOT released this plan. This plan does not provide any specifics to suggest how much of the funds California might receive.

US DOT Interim Guidelines for ARRA funds: By *June 17, 2009*, the FRA will issue interim guidelines that will outline the specific selection criteria and other conditions governing the submittal of applications for stimulus funds for high-speed rail. Projects that are awarded grants must be under contract by 2012.

Possible Projects for federal ARRA funds: The HSRA has sent a letter to Senator Dianne Feinstein identifying projects that may be ready for funding, although the projects have not been developed by the HSRA. A revised list of projects, with a total value of \$3.6 billion was circulated at the HSRA's March meeting. Attachment I is the revised list of projects prepared by its staff. This list totals \$3.6 billion and includes \$1.5 billion for statewide high-speed rail projects and \$2.1 billion for regional projects complementing high-speed rail.

Substitution of federal funds for state bond funds. The HSRA letter indicates some of the federal funds may be available for design and engineering work that would otherwise be funded from Proposition 1A. Accordingly, the Subcommittee may want to consider the addition of budget bill language to allow a substitution of federal funds for Prop 1A funds. Such a substitution would only occur to the extent it was allowable under the federal program. The state bond funds would still be available for the project in future years, but the state General Fund would see

reduced interest costs. The language, based on existing Caltrans language, could read as follows:

Notwithstanding any other provision of law, funds appropriated in this item from the High-Speed Train Passenger Train Bond Fund, to the extent permissible under federal law, may be reduced and replaced by an equivalent amount of federal funds determined by the High-Speed Rail Authority to be available and necessary to comply with Section 8.50 and the most effective management of state high-speed rail transportation resources. Not more than 30 days after replacing the state funds with federal funds, the Director of Finance shall notify in writing the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee of this action.

Staff Comment: The HSRA should update the Subcommittee development that have occurred with federal stimulus funding since the March 17, 2009, Senate Transportation and Housing Committee hearing. The Administration should also comment on the desirability of adding the budget bill language to allow substitution of federal funds for state bond funds.

Staff Recommendation: Adopt new budget bill language to allow the substitution of federal funds for State bond funds.

Action: Approve draft budget bill language on a 3-0 vote.
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- 3. Budget Change Proposals and April Finance Letters.** The updated Administration budget request (including April Finance Letters) requests a total of \$139.2 million from Proposition 1A bond funds. Of this request, \$1.9 million is for state staff and operations and \$138.0 million is for contract work. All of these requests were excluded from the 2009 Budget Act (SB 1XXX) to allow for a thorough review by budget subcommittees.

Detail on the HSRA's budget requests: The eight requests are as follows:

- BCP #1 and April FL #10 – Program Management Services: \$26.6 million is requested for the project management team of contractors. The team is charged with directing, managing, and providing oversight for the regional engineering/environmental teams, as well as the developing of the basic design of the statewide high-speed train system. In addition to the overall management of the regional teams, the Program Management Team is responsible, through their project engineering group, to review and oversee the site specific designs for the entire system.
- BCP #2 and April FL #11 – Preliminary Engineering and Design/Project-Level Environmental Review: \$105.3 million is requested for the anticipated 2009-10 phase of preliminary engineering and design/project-level environmental work. In addition, two state-worker positions are requested to review the design of bridges and structures for compliance with State and federal requirements.
- BCP #3 – Visualization Simulation Plan Development: \$255,000 is requested for visualization simulations (computer animation) to educate the public on potential impacts high-speed trains may have to their communities.
- BCP #4 – Ridership/Revenue Forecast: \$2.0 million is requested for a ridership and revenue forecast model. Two prior forecasts have been completed, most recently a study funded by the Metropolitan Transportation Commission (MTC), but this request would bring a model in-house to update the numbers for the project-level environmental work as well as the development of public private partnership packages.
- BCP #5 – Financial Plan and Public Private Partnership Program (P3): The Authority requests \$2.0 million to continue the work of the Financial Plan consultants as well as develop and commence the Public Private Partnership program.
- BCP #6 – Right-of-way Plan Development: \$750,000 is requested to fund inter-departmental contracts for other state agencies for the development of a right-of-way plan.
- BCP #7 – Program Management Oversight: \$350,000 is requested for the Program Management Oversight consultants, which the Authority indicates are an extension of state staff. The consultants' work includes monitoring of the project to determine if the project is on schedule, within budget, proceeding in conformance with approved work plans, staffing plans, and other agreements, and is being implemented efficiently and effectively.
- BCP #8 – Department of Justice Services: \$136,000 is requested to cover legal and litigation services provided via inter-agency contract with the Department of Justice.

Staff Comment: The HSRA should briefly walk the Subcommittee through each of the individual budget requests.

Staff Recommendation: Hold open for additional review.

<p><i>Action: No action taken on this item. HSRA will continue discussions with legislative staff and the LAO.</i></p>

Attachment I

High-Speed Rail Authority's List of Projects for Federal Stimulus Funds

Proposed Federal Stimulus List

Category I—Statewide High-Speed Rail Projects	
Projects	Estimated Cost
Planning & Engineering	\$500,000,000.00
Heavy Maintenance and Layover Facilities	\$200,000,000.00
Right-of-Way	\$800,000,000.00
Total Category 1 Projects	\$1,500,000,000.00
Category 2—Regional Projects Complementing High-Speed Rail	
Projects	Estimated Cost
Grade Separations – Los Angeles to Anaheim	
Passons Boulevard/Serpis Street	\$ 43,400,000.00
Pioneer Boulevard	45,000,000.00
Norwalk Boulevard	150,000,000.00
Lakeland Road	40,000,000.00
Rosecrans Avenue/Marquardt Avenue	150,000,000.00
Valley View Avenue	72,000,000.00
Subtotal	\$500,400,000.00
San Bruno Construction	\$250,000,000.00-- \$300,000,000.00
<i>This includes:</i>	
✓ <i>Street crossings at San Bruno Avenue, San Mateo Avenue and Angus Street</i>	
✓ <i>Pedestrian Crossings at Euclid Avenue and Sylvan Avenue</i>	
✓ <i>Elevated Station</i>	
Caltrain Corridor Electrification	\$1,100,000,000.00
<i>This includes:</i>	
✓ <i>Electrification of the system from San Jose to San Francisco</i>	
✓ <i>Train Controls</i>	
Subtotal	\$250,000,000 to \$1,400,000,000
High-Speed Rail Infrastructure at ARTIC Station	\$200,000,000.00
Total Category 2 Projects	\$2,100,400,000.00

Source: California High-speed Rail Authority, Revised Federal Stimulus List as of 3-6-09.